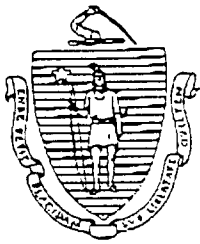


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# *The Commonwealth of Massachusetts*

*Office of the Commissioner of Banks  
Leverett Pattonstall Building, Room 2004  
100 Cambridge Street  
Boston, Massachusetts 02202*

ARGEO PAUL CELLUCCI  
GOVERNOR

THOMAS J. CURRY  
COMMISSIONER

April 8, 1999

Mr. Donald V. Hammond  
Fiscal Assistant Secretary  
U.S. Department of the Treasury  
Room 2112  
1500 Pennsylvania Avenue, N.W.  
Washington, D.C. 20220

Dear Mr. Hammond:

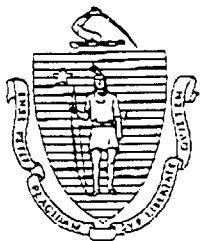
This letter is written in response to the Department of the Treasury's (Treasury) request for comments on the advanced notice of proposed rule making regarding access to accounts at financial institutions through payment service providers. Some financial institutions have entered into arrangements with non-depository payment service providers, such as check cashers, currency dealers and exchangers, and money transmitters to provide access to electronic federal payments by recipients who do not maintain a bank account at a financial institution.

The Division of Banks (Division) is charged with licensing and examining over 2,500 non-bank financial entities, including 87 check cashers, 20 check sellers, and 900 foreign transmittal agencies. Licensed check cashing establishments are located predominantly in low- and moderate-income neighborhoods and urban areas. These entities are also regularly examined for financial safety and soundness and compliance with various consumer protection laws and regulations. With the recent changes to the delivery method for federal payments, the Division believes it is important that appropriate consumer protections be put in place to ensure that recipients are adequately informed about fees that they may incur or protections they may forego by entering into arrangements with non-depository payment service providers. The Division would therefore like to offer comments on the following questions raised by the Treasury on this matter.

Should Treasury regulate or prohibit arrangements between financial institutions and payment service providers in which electronic federal payments are deposited into a recipient's non-ETA account at a financial institution but made available to the recipient through a payment service provider?

The Division is aware that some financial institutions have already entered into agreements with or are in the process of developing programs with payment service providers (PSP) for the delivery of electronic federal payments. While the parameters of these arrangements can vary, they most often involve the consumer accessing funds through the payment service provider and not a depository financial institution. The Division believes that Treasury should prohibit allowing PSPs from establishing such relationships for several reasons.

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Leverett Saltonstall Building, Room 2004

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COMMISSIONER

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TO:

Donald V. Hammond, Fiscal Assistant Secretary

COMPANY:

U.S. Dept of the Treasury

FROM:

Banta Irving  
DIVISION OF BANKS

TELEPHONE NUMBER:

(617) 727-3145 X 310

### SPECIAL INSTRUCTIONS:

Re: Comments on ~~proposed~~ possible regulation  
regarding access to federal benefits through payment  
service providers. Original to be mailed 4/8/99

ACKNOWLEDGMENT REQUIRED:

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WRITTEN ☐

NONE ☐

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